

DEFINITIONS

Cash-generating unit - The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Discontinued operation - A component of an entity that either has been disposed of or is classified as held for sale and:

- Represents a separate major line of business or geographical area
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

CLASSIFICATION OF NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE OR DISTRIBUTION TO OWNERS

• Classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The following criteria must be met:

- The asset (or disposal group) is available for immediate sale.
- The terms of asset sale must be usual and customary for sales of such assets.
- The sale must be highly probable.
- Management is committed to a plan to sell the asset.
- Asset must be actively marketed for a sale at a reasonable price in relation to its current fair value.
- Sale should be completed within one year from classification date.
- Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with NZ IAS 16 - *Property, Plant and Equipment*.
- When an entity acquires a non-current asset exclusively with a view to its subsequent disposal, it must classify the non-current asset as held for sale at the acquisition date only if the one-year requirement is met.
- There are special rules for subsidiaries acquired with a view for resale.

• Note: The classification criteria also apply to non-current assets (or disposal groups) held for distribution to owners.

A reclassification from held for sale to held for distribution to owners is not a change to a plan and therefore not a new plan.

DISCONTINUED OPERATIONS

- Classification as a discontinued operation depends on when the operation meets the requirements to be classified as held for sale.
- Results of discontinued operation are presented as a single amount in the Statement of Profit or Loss and Other Comprehensive Income.
- An analysis of the single amount is presented in the Notes or in the Statement of Profit or Loss and Other Comprehensive Income.
- Cash Flow disclosure is required - either in Notes or Statement of Cash Flows.
- Comparatives are restated.

SCOPE

- Applies to all recognised non-current assets and disposal groups of an entity.
 - Held for sale; or
 - Held for distribution to owners.
 - Assets classified as non-current in accordance with NZ IAS 1 - *Presentation of Financial Instruments* must not be reclassified as current assets until they meet the criteria of NZ IFRS 5.
 - If an entity disposes of a group of assets, possibly with directly associated liabilities (i.e. an entire Cash Generating Unit), together in a single transaction, if a non-current asset in the group meets the measurement requirements in NZ IFRS 5, then NZ IFRS 5 applies to the group as a whole. The entire group is measured at the lower of its carrying amount and fair value less costs to sell.
 - Non-current assets to be abandoned cannot be classified as held for sale.
- Exclusions to measurement requirements of NZ IFRS 5. Disclosure requirements still to be complied with:
- Deferred tax assets (NZ IAS 12 *Income Taxes*).
 - Assets arising from employee benefits (NZ IAS 19 *Employee Benefits*).
 - Financial assets in the scope of NZ IFRS 9 *Financial Instruments*.
 - Non-current assets that are accounted for in accordance with the fair value model in NZ IAS 40 *Investment Property*.
 - Non-current assets that are measured at fair value less estimated point of sale costs (NZ IAS 41 *Biological Assets*); and
 - Contractual rights under insurance contracts (NZ IFRS 17 *Insurance Contracts*).

MEASUREMENT

- Immediately prior to classification as held for sale, carrying amount of the asset is measured in accordance with applicable NZ IFRSs.
- After classification, it is measured at the lower of carrying amount and fair value less costs to sell. Assets covered under certain other NZ IFRSs are scoped out of measurement requirements of NZ IFRS 5 - see block above.
- Impairment must be considered at the time of classification as held for sale and subsequently.
- Subsequent increases in fair value cannot be recognised in profit or loss in excess of the cumulative impairment losses that have been recognised with this NZ IFRS or with NZ IAS 36 - *Impairment of Assets*.
- Non-current assets (or disposal groups) classified as held for sale are not depreciated.
- Adjustment of number of shares and/or vesting date amount for actual results.

DISCLOSURE

- Non-current asset (or disposal group) held for sale are disclosed separately from other assets in the Statement of Financial Position. If there are any liabilities, these are disclosed separately from other liabilities.
- Description of the nature of assets (or disposal group) held for sale and facts and circumstances surrounding the sale.
- A gain or loss resulting from the initial or subsequent fair value measurement of the disposal group or non-current asset held for sale if not presented separately in the Statement of Comprehensive Income and the line item that includes the gain or loss.
- Prior year balances in the Statement of Financial Position are not reclassified as held for sale.
- If applicable, the reportable segment (NZ IFRS 8) in which the non-current asset or disposal group is presented.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRS RDR Reporters must comply with the recognition and measurement principles of NZ IFRS 5 but are given certain disclosure exemptions.